

Legislature OKs new budget with rare tuition cuts and pay raises for teachers

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The two-year state budget approved by the Legislature Monday night provides a rare tuition cut for college students, raises teacher pay and ends a handful of tax exemptions and preferential tax rates to add new revenue.

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OLYMPIA — The two-year state budget approved by the Legislature Monday night provides a rare tuition cut for college students, raises teacher pay and ends a handful of tax exemptions and preferential tax rates to add new revenue.

The \$38.2 billion spending plan was headed to the governor's desk after passing the Senate and House.

The 2015-17 operating budget is expected to be signed by Gov. Jay Inslee on Tuesday, the drop-dead deadline to approve a new budget and avoid a partial government shutdown.

Republican Sen. Andy Hill, the chamber's key budget writer, said the plan focuses on the priorities of the state.

"It is a great budget," he said.

Democratic Sen. Jim Hargrove agreed, saying it was "fairly remarkable from where we started out."

Under the compromise, there would be a 15 percent reduction in tuition at the University of Washington and Washington State University, a 20 percent reduction at Western, Central and Eastern Washington universities and The Evergreen State College, and a 5 percent reduction at community and technical colleges.

The cuts would be phased in, with a 5 percent reduction in the first year of the biennium for all colleges and universities. In 2016, tuition would be cut an additional 10 percent at the UW and WSU, and 15 percent at WWU, CWU, EWU and Evergreen.

The agreement adds an estimated \$1.3 billion to K-12 education, including money to reduce class sizes in grades K-3, expand full-day kindergarten and cover other school costs.

Those moves were considered necessary to comply with a state Supreme Court ruling that said the state isn't meeting its constitutional duty to fully fund basic education.

But the budget proposal doesn't reduce classes in grades 4-12, which was required by voter-approved Initiative 1351 last fall. Budget negotiators from both parties said Monday that they still don't know how exactly they intend to limit or delay I-1351.

"We knew from the beginning that 1351 was going to be impossible to fund," said Frank Ordway, government relations director at the League of Education Voters. "And that bore itself out in the budget negotiations."

The budget gives a 3 percent cost-of-living raise to K-12 employees over the next two years, plus an additional temporary 1.8 percent increase that expires in 2017. It proposes a slight increase in health-care benefits for K-12 employees, but not enough, the Washington Education Association said, to keep up with rising costs.

Ordway said he expects lawmakers to suspend Initiative 1351. Still, he called the budget "one of the best education budgets in the history of the state."

Rich Wood, spokesman for the Washington Education Association, said the one-time 1.8 percent pay increase does little to make up for the six years that the state did not pay teachers regular cost-of-living adjustments. Besides a 3 percent cost-of-living increase over the next two years, he said, there is no increase in base pay for teachers.

"People are already joking, and saying, 'It's like a tip,'" he said.

The agreement would eliminate a handful of tax exemptions — while extending others — to raise about \$350 million through 2019. House Democrats originally called for \$1.5

billion in new revenue through 2017, including a tax on capital gains, but recent economic forecasts predict more money than expected from [existing taxes](#).

The revenue plan ends a preferential business-and-occupation tax rate for royalty income and repeals a tax break for software manufacturers.

Among other provisions, the agreement applies the business-and-occupation tax to some out-of-state wholesalers and raises some excise- tax penalties.

Lawmakers began a third special session Sunday to complete work on the budget, as well as a recently agreed-upon [state transportation package](#). They were expected to work late Monday night.

No other state has cut tuition for its public universities and colleges for the coming academic year, according to the American Association of State Colleges and Universities.

Still, Washington's tuition at four-year universities went up 34 percent in inflation-adjusted dollars over the past five years — much higher than the national increase of 17 percent, said Sandy Baum, a research professor at George Washington University and a national expert on college pricing.

She said Washington public-college tuition is currently about 16 percent above the national average.

The budget deal also freezes the payout value of the state's Guaranteed Education Tuition (GET) tuition plan at today's value, \$117 per unit, for the next two years, said GET spokesman Ryan Betz. Under the terms of a GET contract, the payout value is tied to the state's highest tuition; one of the concerns about cutting tuition was that it would cause investors to lose money this year on the prepaid plan.

The budget agreement also provides \$14 million for emergency drought response, and \$31 million for a 9 percent increase in temporary cash assistance for families in need.

The budget deal drew criticism from Andy Nicholas, senior fiscal analyst with the progressive Washington State Budget and Policy Center, which had supported closing more tax breaks and imposing a new capital-gains tax on the wealthiest households.

“This is simply not a sustainable budget no matter how you slice it,” Nicholas said.

By relying mostly on natural tax growth and one-time budget fixes, lawmakers in a few years will wrestle again with how to adequately fund public schools and other needs, Nicholas predicted.

But in a statement Inslee hailed the plan as “a great budget for Washington state ... It makes the investments we need to move the state forward and follows spending priorities I set out when the Legislature convened in January.”

He concluded: “The only major complaint I have with this budget is we’re talking about it on June 29. This should have happened two months ago.”

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